

**ARKANSAS CITY RECREATION COMMISSION**

ACCOUNTANT'S AUDIT REPORT

For the Twelve Months Ended  
June 30, 2014

Prepared by

Kent R. Bassford  
Certified Public Accountant

# **ARKANSAS CITY RECREATION CENTER**

## **Annual Financial Report**

Year Ended June 30, 2014

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## Independent Auditor's Report

January 15, 2015

Members of the Arkansas City Recreation Commission  
Arkansas City, Kansas 67005

I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Arkansas City Recreation Commission as of and for the year ended June 30, 2014 and the related notes to the financial statement.

### *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial statement based on our audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

*Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles*

As described in Note 1 of the financial statement, the financial statement is prepared by the Arkansas City Recreation Center to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than the accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

*Adverse Opinion on U.S. Generally Accepted Accounting Principles*

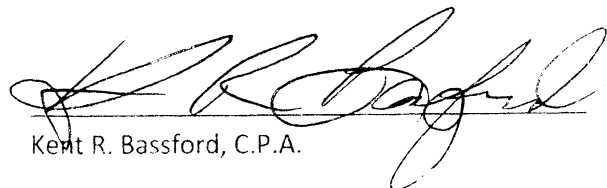
In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Arkansas City Recreation Commission as of June 30, 2014, or changes in financial position and cash flows for the year ended.

*Opinion on Regulatory Basis of Accounting*

In my opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Arkansas City Recreation Commission as of June 30, 2014, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

*Report on Supplementary Information*

My audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and disbursements-actual and budget Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.



Kent R. Bassford, C.P.A.

January 15, 2015

ARKANSAS CITY RECREATION COMMISSION  
SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES  
AND UNENCUMBERED CASH  
REGULATORY BASIS  
For The Year Ended June 30, 2014

Funds	Beginning Unencum- bered Cash Balance	Prior Year Cancelled Encum- brances	Cash Receipts	Expenditures
Governmental type Funds:				
General	\$ 285,687	\$ -	\$ 865,370	\$ 920,109
Employee Benefit	106,725	-	166,078	154,733
Total	<u>\$ 392,412</u>	<u>\$ -</u>	<u>\$ 1,031,448</u>	<u>\$ 1,074,842</u>

Composition of Cash:  
    Money Market Account  
    Checking Account  
    Petty Cash

Total reporting entity

ARKANSAS CITY RECREATION COMMISSION  
STATEMENT OF CASH RECEIPTS, EXPENDITURES  
AND UNENCUMBERED CASH  
REGULATORY BASIS  
For The Year Ended June 30, 2014

Equity Fund Transfers	Ending Unencum- bered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
\$ -	\$ 230,948	\$ 33,226	\$ 264,174
-	118,070	1,887	119,957
<hr/>			
\$ -	\$ 349,018	\$ 35,113	\$ 384,131
<hr/>			

\$ 389,640  
(5,659)  
150

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\$ 384,131  


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ARKANSAS CITY RECREATION COMMISSION  
NOTES TO THE FINANCIAL STATEMENT  
June 30, 2014

1. Summary of Significant Account Policies

Reporting entity

Arkansas City Recreation Commission is a municipal corporation governed by a five-member board. Two board members are appointed by USD No. 470, two are appointed by the City of Arkansas City and one is appointed by the other members. USD No. 470 is the tax levying authority for the Commission.

Basis of Presentation

These regulatory basis financial statements are presented in compliance with the cash-basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Cash disbursements are recognized when the cash balance of a fund is decreased. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The Arkansas City Recreation Commission has approved a resolution waiving the requirement from generally accepted accounting principles which allows the use of the regulatory basis of accounting.

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable and reservations of the fund balances are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes and compensated absences are not presented in the financial statements.

ARKANSAS CITY RECREATION COMMISSION  
NOTES TO THE FINANCIAL STATEMENT  
June 30, 2014

General Fixed Assets

General fixed assets are recorded as expenditures in the funds at the time of purchase. Such assets have not been capitalized in the general fixed asset group of accounts as required by generally accepted accounting principles.

No depreciation has been provided on general fixed assets.

Deposits

Cash balances pooled from all funds are considered in determining the amount and type of investment. All investments were in compliance with K.S.A. 12-1675. Deposits include checking accounts and interest bearing accounts.

	FDIC Insured	Depository Securities	Bank Balance	Carrying Amount	Funds At Risk
RCB Bank	\$250,000	\$482,100	\$430,305	\$381,942	\$0

The depository securities are collateral held under joint custody receipts issued by a third party bank and held under the name of the Arkansas City Recreation Commission. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Any concentration of credit risk is secured by depository securities.

Budgetary Information

Kansas statutes require that an annual operation budget be legally adopted for the general and employee benefit funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operation budget:

- A. Preparation of the budget for the succeeding calendar year on or before August 1<sup>st</sup>.
- B. Publication in local newspaper on or before August 15<sup>th</sup> of the proposed budget and notice of public hearing on the budget.
- C. Public hearing on or before August 15<sup>th</sup>, but at least ten days after publication of notice of hearing.
- D. Adoption of the final budget on or before August 25<sup>th</sup>



## ARKANSAS CITY RECREATION COMMISSION

### NOTES TO THE FINANCIAL STATEMENT

June 30, 2014

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments made during the year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitments, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

USD No. 470 budgets and collects tax money for the Recreation Commission under K.S.A. 12-1927. The money received by the District is apportioned to the Commission shortly after its receipt.

#### 2. Compliance with Kansas Statutes

Management did not cancel checks that were outstanding for at least two years which is a violation of Kansas Statutes. Management approved an audit adjustment to correct the violation.

#### 3. Leases

The Arkansas City Recreation Commission has a rent/lease agreement with the City of Arkansas City that currently expires December 15, 2015, with the option to extend the lease for an additional term of ten years.

ARKANSAS CITY RECREATION COMMISSION  
NOTES TO THE FINANCIAL STATEMENT  
June 30, 2014

<u>Description</u>	<u>2013-2014 Payments</u>
City property which includes: Recreation Center, Recreation Center Addition, Dow Recreation Complex	\$60,000

The following is a schedule of future minimum lease payments:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2015	\$60,000.00
2016	<u>25,508.00</u>
	\$ 85,508.00

4. Maintenance Control

The Arkansas City Recreation Commission has agreed to reimburse USD 470's costs and expenses of maintaining, repairing, and operating the portion of the "Sports Complex" property used by ACRC in an amount not to exceed \$12,500 per annum.

5. Defined Benefit Pension Plan

*Plan description.* The Recreation Commission participates in the Kansas Public Employees Retirement System (KPERs), a cost sharing multiple employer defined benefit pension plan provided by K.S.A. 74-4901, *et seq.* KPERs provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provision. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 South Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

*Funding policy.* K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERs member-employee contribution rates. Effective July 1, 2009, KPERs has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERs member-employee contribution of 5% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provision of section 414(h) of the Internal Revenue Code.

ARKANSAS CITY RECREATION COMMISSION  
NOTES TO THE FINANCIAL STATEMENT  
June 30, 2014

State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for the year ended June 30, 2013 is 8.19%. The employer rate established for the year ended June 30, 2014 is 8.79%. The State Of Kansas is required to contribute the statutory required employers share.

The Arkansas City Recreation Commission's employer contributions to KPERS for the years ending June 30, 2014 and 2013 were \$24,899 and \$23,760, respectively, equal to the required contributions for each year.

6. Compensated Absences

Sick Leave

Each full time employee receives twelve (12) paid sick days per year accumulative to one hundred twenty (120) days. Compensation for unused paid sick leave at the time of retirement shall be made on a pro rata basis based on the number of years of service, up to maximum of sixty (60) days. Separation, other than retirement, whether voluntary or involuntary, will not be entitled to payment for unused sick days.

Vacation Leave

Vacation time may be carried over from one year to the next (no more than two years total accrual at any time). Any accumulation in excess of two years vacation must be used within thirty days or it will be forfeited. Employees leaving employment due to retirement, disability, lay-off or death may be paid for any unused vacation prorated through last full calendar month of service. Employees discharged for cause or separating for any other reason other than those listed above shall receive no pro rata vacation pay.

The amount of liability for compensated absences has not been recognized.

7. Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in the financial statement.

ARKANSAS CITY RECREATION COMMISSION  
NOTES TO THE FINANCIAL STATEMENT  
June 30, 2014

8. Skate Equipment

On June 2, 2009, the Board approved financing of skate equipment in the amount of \$64,900. The financing arrangement is for the City of Arkansas City to finance the purchase of the equipment. As disclosed in Note 3, the lease agreement between the City and the Recreation Commission has been extended to December 15, 2015 at a monthly rental of \$5,000 per month.

9. Subsequent Events

Subsequent events were evaluated through January 15, 2015. There were no material subsequent events as of January 15, 2015.

ARKANSAS CITY RECREATION COMMISSION  
 STATEMENT OF EXPENDITURES-ACTUAL AND BUDGET  
 REGULATORY BASIS  
 For The Year Ended June 30, 2014

Schedule 1

Funds	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
Governmental type Funds:					
General	\$ 993,200	\$ -	\$ 993,200	\$ 920,109	\$ 73,091
Employee Benefit	166,078	-	166,078	154,733	11,345
Total	<u>\$ 1,159,278</u>	<u>\$ -</u>	<u>\$ 1,159,278</u>	<u>\$ 1,074,842</u>	<u>\$ 84,436</u>

## ARKANSAS CITY RECREATION COMMISSION

Schedule 2-A

## GENERAL FUND

SUMMARY STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL & BUDGET  
REGULATORY BASIS

For The Year Ended June 30, 2014

(With Comparative Actual Totals for the Prior Year Ended June 30, 2013)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes	\$ 492,751	\$ 472,000	\$ 510,000	\$ (38,000)
Grants program	954	790	18,000	(17,210)
Interest	1,450	1,116	1,500	(384)
Carryover - Capital Savings	4,758	5,050	40,000	(34,950)
Reimbursed income	36,982	42,674	44,000	(1,326)
Registration fees - tournaments	33,302	33,767	39,500	(5,733)
Concessions	29,613	30,457	42,800	(12,343)
Rent	5,878	5,485	6,750	(1,265)
Memberships	80,347	89,084	88,300	784
Miscellaneous	4,768	255	4,200	(3,945)
Aquatics	169,879	167,090	198,050	(30,960)
Sales - Merchandise	969	753	100	653
Insurance Payments	-	16,849	-	16,849
Total cash receipts	\$ 861,651	\$ 865,370	\$ 993,200	\$ (127,830)
Expenditures				
Personal services	\$ 528,310	\$ 540,476	\$ 558,000	\$ 17,524
Contractual services	151,104	142,618	164,800	22,182
General services	51,433	51,998	63,000	11,002
Capital outlay	50,167	24,656	19,500	(5,156)
Carryover funds	3,950	-	40,000	40,000
Facility & equipment maintenance	21,172	29,426	27,500	(1,926)
Associations	2,000	5,500	2,000	(3,500)
Recreation programs	70,000	90,333	72,600	(17,733)
Aquatics	34,144	35,102	45,800	10,698
Golf Course	-	-	-	-
Reconciliation discrepancies	-	-	-	-
Total expenditures	\$ 912,280	\$ 920,109	\$ 993,200	\$ 73,091
Receipts over (under) expenditures	\$ (50,629)	\$ (54,739)		
Unencumbered cash, beginning	336,316	285,687		
Prior year canceled encumbrances	-	-		
Unencumbered cash, ending	\$ 285,687	\$ 230,948		

ARKANSAS CITY RECREATION COMMISSION Schedule **2-A**

EMPLOYEE BENEFIT FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL & BUDGET

REGULATORY BASIS

For The Year Ended June 30, 2014

(With Comparative Actual Totals for the Prior Year Ended June 30, 2013)

	Prior Year Actual	Current Year		
		Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts				
Taxes	\$ 157,685	\$ 166,078	\$ 166,078	\$ -
Total cash receipts	\$ 157,685	\$ 166,078	\$ 166,078	\$ -
Expenditures				
KPERs	\$ 23,760	\$ 24,899	\$ 25,491	592
Health insurance	74,707	80,723	90,000	9,277
Liability insurance	3,480	1,814	1,800	(14)
Social security/Medicare	39,511	40,597	42,687	2,090
Workman's compensation	4,346	6,173	5,500	(673)
Unemployment	757	527	600	73
Portion allocated to General	-	-	-	-
Total Expenditures	\$ 146,561	\$ 154,733	\$ 166,078	\$ 11,345
Receipts over (under) expenditures	\$ 11,124	\$ 11,345		
Unencumbered cash, beginning	95,601	106,725		
Prior year canceled encumbrances	-	-		
Unencumbered cash, ending	\$ 106,725	\$ 118,070		